

**Karachchi Pradeshiya Sabha**

**Kilinochchi District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 03 October 2013.

**1.2 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Karachchi Pradeshiya sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report forwarded to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Karachchi Pradeshiya sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The accounting deficiencies observed in the financial statements in respect of Assets and Expenditure are shown in the below.

	<u>Assets</u>		<u>Expenditure</u>	
	<u>No. of Instances</u>	<u>Value</u>	<u>No. of Instances</u>	<u>Value</u>
		Rs.		Rs.
Understatement	01	3,532,315	-	-
Overstatement	01	13,050	01	172,367

### **1.3.2 Non Accounted Vehicles**

The Provincial Commissioner of Local Government Kilinochchi had donated 18 vehicles during the year under review and these vehicles had not been valued and taken in the financial statements.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.11,081,595 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.40,403,697.

### **2.2 Budgetary Control**

Deficiencies were observed between the budgeted and actual income and expenditure items indicating that the budget had not been made use of as an effective instrument of management control.

### **2.3 Revenue Administration**

#### **2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	10	-	-
(ii.) Lease Rent	22,843	18,745	508
(iii.) Licence Fees	2,805	2,941	-
(iv.) Other Revenue	52,421	40,250	7,983

**2.3.2 Arrears of Rent**

During the year under review, rent of stalls of the market amounting to Rs.507,638 had not been recovered. Legal action had not been taken to recover it.

**2.3.3 Court Fines**

Effective action had not been taken to collect court fines amounting to Rs.4,814,733 receivable to the Sabha for the year under review.

**2.3.4 Stamp Fees**

- (a.) A list of stamp fees due from the Registrar General for the year under review had not been called for.
- (b.) Action had not been taken to obtain stamp fees of Rs.3,532,315 for 2010 and 2011.

Year	Amount due (Rs.)
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2010	1,059,550
2011	2,472,765
	-----
	3,532,315
	=====

**2.4 Non-compliance**

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

References to Laws, Rules and Regulations	Non-compliance
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(i.) 1989 Pradeshiya Sabha (Financial and Administration Rules)  ----- Chapter III  ----- Section 76	The revenue clerk had not intimated the delay in recovery of rent amounting to Rs.60,833, to the Secretary or the Chairman.

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| Section 81   | Action had not been taken with regard to recovery of stamp fees and court fines due at the end of each quarter.  |
| (ii.) Gazette Extraordinary No.1722/27 of 9.9.2011 Sub Section 11                                    | The Sabha had not taken action to obtain licences for vehicles belonging to the Sabha.   |
| (iii.) Circular No.41/90 of 10 October 1990 of the Ministry of Public Administration.                | Consumption of fuel by vehicles of the Sabha had not been tested.  |
| (iv.) Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka – 2006 Section 2.14.1 | At least 05 quotations should be obtained for goods or services exceeding Rs.100,000. However, this requirement had not been followed while purchasing furniture for Rs.270,000. |

## **2.5 Non-recovery of Revenue**

### **2.5.1 Telephone Tower Charges**

Charges relating to 7 telephone towers installed within the area of Sabha had not been recovered in terms of Gazette Extra Ordinary No.1597/8 of 17.4.2009.

## **2.6 Assets Management**

### **2.6.1 Unutilized Physical Resources**

- (a.) It was observed in audit that the Sabha had lost its revenue as a result of not taking action to offer the meat stall valued at Rs.250,000 at Jayanthi Nagar on lease.
- (b.) It was observed in audit that two solar energy equipment donated by Save the Children Fund remained at the stores without being used for over 03 years.

**2.7 Accounts Receivable**

Revenue debtors amounting to Rs.25,433 remained unrecovered upto the date of this report.

**2.8 Contract Administration**

**2.8.1 Delay in Implementation of Projects**

Three projects valued at Rs.8,535,681 planned to be implemented by the Project during the year under review had not been completed.

**3. Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls.

- (a.) Collection of revenue
- (b.) Fixed Assets
- (c.) Accounting
- (d.) Personnel
- (e.) Donation
- (f.) Sundry Deposits
- (g.) Budget
- (h.) Stores